



PERSPECTIVES FROM AISHA M. ANTHONY, CPA AT KPMG IN ARUBA.

It's that season again. Management of companies all over the world, including Aruba, are currently busy preparing their annual financial statements for 2006 in order to account for their management over the year to the Board of Supervisory Directors and to report the company's earnings to the shareholders. Although not required in our local laws and regulations, some companies in Aruba are required to have their financial statements audited from a good corporate governance perspective for use of reliance by stakeholders. For the most part it is due to the company's yearly compliance to the meet banks' loan requirements. The independent auditor's report provides reasonable assurance to the users of the financial statements (shareholders, investors, banks, suppliers, the public etc.) that the financial statements provide a fair view of the financial position of the company. In general y e pueblo den su totalidad.

Our accountants' fundamental duty 'to serve the public interest' has

remained unchanged, however it is the environment in which accountants work that has changed dramatically in the last few years. Local companies might have only felt a tip of the iceberg in the changing accountants' environment. Our accounting profession has taken a beating in the international media due to a number of major corporate and accounting scandals worldwide. Numerous efforts have been undertaken since then and still are being undertaken by international, U.S. and European Union standard setters in order to restore and to promote confidence in our accounting profession. Especially international companies listed on stock exchanges have had to deal with the effects of the Sarbanes Oxley Act: a law passed in the United States in 2002 to strengthen corporate governance and internal controls. Later we have also seen many changes in the area of financial reporting, especially when dealing with accounting principles generally accepted in the United States of America and International

Financial Reporting Standards, due to the convergence projects undertaken by the respective standard setters in order to achieve a high quality set of reporting standards. From an audit perspective, changes have also taken place in the International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Board (IAASB). Revisions on standards such as planning of an audit (ISA 300), documentation (ISA 230), the auditor's responsibility to consider fraud in an audit of financial statements (ISA 240) etc. Most of these modifications have given rise to the changes in ISA 700 (Revised), "The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements" as of December 31, 2006. It is here where I refer to the subject of this article. Your auditor's report has changed! One Step Closer to Narrowing the Expectation Gap?

The disastrous corporate scandals that have transpired have lead mostly to the aforementioned changes in stan-

dards. But I also think the expectation gap between what the public expects from auditors and what the auditors can provide based on actual performance has also conduced to these changes. The term "expectation gap" first appeared in American academic literature in 1974 by Liggo¹ and even before this by Limperg. Since that time this gap was already understood and this gap still exists. Misconceptions by the public about the responsibility for the financial statements, guarantees given for the accuracy of financial statements, identification of business failure, responsibility for the detection of fraud etc. go far beyond the actual standard of performance by auditors. It is in the interest of both the public at large and the profession that the expectation gap be narrowed as much as possible. This will take time, however this can often be narrowed by educating the public of the auditors' standards of performance and by increasing the quality of existing standards for the auditors and improving the manner in which auditors communicate their objectives, limitations and findings to financial statement users.

The main purpose of ISA 700 revised is to establish standards and provide guidance on the independent auditor's report issued as a result of an audit of a complete set of general purpose financial statements prepared in accordance with a financial reporting framework that is designed to achieve fair presentation. This ISA should also help to promote the reader's understanding of the auditor's report. The unqualified (clean) opinion which consisted of three standard paragraphs has been expanded to four paragraphs with the following subjects: identification of the financial statements, management's responsibility for the financial statements, auditor's responsibility, and the opinion. These new audit opinions are also enforced by the Royal NIVRA (Nederlands Instituut voor Register Accountants). The new auditor's report specifically states that the summary of significant accounting policies and the notes are part of the financial statements that

have been audited; the report will go into more details as to the responsibilities of each party and it also states that auditors are required to comply with ethical requirements. These requirements in headlines entail that the accountant holds him or herself to the actual practice of five fundamental principles of professional ethics: integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

From a local perspective, I think that as part of the component of the expectation gap mentioned earlier a standards gap also exist. This stan-

dards gap may only be narrowed in Aruba by establishing or adopting professional standards into our local laws and legislation. Due to the relatively non-existence of local laws and legislation on standards on accounting and auditing it is fairly easy for a non-certified or non-registered practitioner to identify him or herself as an accountant. ■

*Aisha M. Anthony has a Master's in Accounting and is a Certified Public Accountant since 1996. She has worked for more than 13 years in public accounting at KPMG and has maintained up-to-date with her bi-annual CPA licensing requirements. Since 2005 Aisha is Director at KPMG Accountants NV in Aruba



1. Liggo, C. D. [1974]. The Expectation Gap: The Accountant's Waterloo, Journal of Contemporary Business, Vol.3, No.3, 27-44.